

TOWNSHIP OF RILEY  
St. Clair County, Michigan  
14-1210  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Riley	<b>County</b> St. Clair
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> August 11, 2004	<b>Date Accountant Report Submitted to State:</b> August 11, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as revised, by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686			
<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707	
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF RILEY  
St. Clair County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	5-6
Notes to Financial Statements		7-14
Supplementary Information:		
General Fund Expenditures by Detailed Account	D	15-17
Combining Balance Sheet – All Special Revenue Funds	E	18
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	F	19
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G	20
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	H	21

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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August 11, 2004

## **INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Township of Riley  
St. Clair County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Riley, St. Clair County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Riley's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Riley, St. Clair County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Riley, St. Clair County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>
<u>Assets</u>				
Cash in bank	248 623 67	102 906 52	19 670 42	57 382 65
Accounts receivable	8 210 00	-	-	-
Taxes receivable	6 518 31	10 896 48	-	-
Due from other funds	5 860 32	-	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Equipment	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-
Total Assets	<u>269 212 30</u>	<u>113 803 00</u>	<u>19 670 42</u>	<u>57 382 65</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	-	11 449 20	-	-
Due to other funds	-	-	-	5 860 32
Due to others	-	-	-	51 522 33
Bonds payable	-	-	-	-
Total liabilities	<u>-</u>	<u>11 449 20</u>	<u>-</u>	<u>57 382 65</u>
Fund equity:				
Investment in general fixed assets	-	-	-	-
Fund balances:				
Reserved for park	15 898 19	-	-	-
Unreserved:				
Undesignated	253 314 11	102 353 80	19 670 42	-
Total fund equity	<u>269 212 30</u>	<u>102 353 80</u>	<u>19 670 42</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>269 212 30</u>	<u>113 803 00</u>	<u>19 670 42</u>	<u>57 382 65</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Groups</u>		<u>Total</u>
<u>General</u>	<u>General Long-</u>	<u>(Memorandum</u>
<u>Fixed Assets</u>	<u>Term Debt</u>	<u>Only)</u>
-	-	428 583 26
-	-	8 210 00
-	-	17 414 79
-	-	5 860 32
264 457 02	-	264 457 02
383 458 94	-	383 458 94
66 280 13	-	66 280 13
<u>-</u>	<u>390 000 00</u>	<u>390 000 00</u>
<u>714 196 09</u>	<u>390 000 00</u>	<u>1 564 264 46</u>
-	-	11 449 20
-	-	5 860 32
-	-	51 522 33
<u>-</u>	<u>390 000 00</u>	<u>390 000 00</u>
<u>-</u>	<u>390 000 00</u>	<u>458 831 85</u>
714 196 09	-	714 196 09
-	-	15 898 19
<u>-</u>	<u>-</u>	<u>375 338 33</u>
<u>714 196 09</u>	<u>-</u>	<u>1 105 432 61</u>
<u>714 196 09</u>	<u>390 000 00</u>	<u>1 564 264 46</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 1

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Revenues:			
Property taxes	82 470 87	-	-
Licenses and permits	7 875 00	57 194 77	-
State revenue sharing	205 987 00	-	-
State grant	82 100 00	-	-
Charges for services:			
Zoning fees	1 500 00	-	-
Fire and rescue runs	11 409 50	-	-
Property tax administration	29 513 30	-	-
Special assessment	-	137 864 16	-
Interest	4 513 86	171 45	148 79
Miscellaneous	<u>28 538 58</u>	<u>-</u>	<u>-</u>
Total revenues	<u>453 908 11</u>	<u>195 230 38</u>	<u>148 79</u>
Expenditures:			
Legislative:			
Township Board	4 131 84	-	-
General government:			
Supervisor	14 875 81	-	-
Elections	403 95	-	-
Accounting	2 500 00	-	-
Assessor	25 828 56	-	-
Attorney	4 853 62	-	-
Clerk	17 919 44	-	-
Board of Review	1 480 11	-	-
Treasurer	21 373 81	-	-
Building and grounds	10 779 34	-	-
Office	23 734 00	-	-
Computers	1 833 43	-	-
General services administration	28 966 16	-	-
Public safety:			
Fire protection	50 044 17	-	-
Inspectors	-	55 173 85	-
Planning and zoning	5 380 16	-	-
Public works:			
Highways and streets	72 153 21	-	-
Street lighting	3 230 01	-	-

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)

---

82 470 87  
65 069 77  
205 987 00  
82 100 00

1 500 00  
11 409 50  
29 513 30  
137 864 16  
4 834 10  
28 538 58

649 287 28

4 131 84

14 875 81  
403 95  
2 500 00  
25 828 56  
4 853 62  
17 919 44  
1 480 11  
21 373 81  
10 779 34  
23 734 00  
1 833 43  
28 966 16

50 044 17  
55 173 85  
5 380 16

72 153 21  
3 230 01



TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Expenditures (continued):			
Public works: (continued)			
Drains	2 671 38	-	-
Spring clean up	6 705 00	-	-
Sanitation	-	45 796 80	-
Recreation and culture:			
Parks and recreation	3 369 58	-	-
Other:			
Insurance	20 223 04	-	-
Deferred compensation	6 594 22	-	-
Retirement	12 905 18	-	-
Payroll taxes	1 081 36	-	-
Capital outlay	115 924 57	-	-
Debt service	<u>23 827 50</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>482 789 45</u>	<u>100 970 65</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(28 881 34)</u>	<u>94 259 73</u>	<u>148 79</u>
Other financing sources (uses):			
Operating transfers in	-	2 500 00	-
Operating transfers out	<u>(2 500 00)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2 500 00)</u>	<u>2 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(31 381 34)</u>	<u>96 759 73</u>	<u>148 79</u>
Fund balances, April 1	<u>300 593 64</u>	<u>5 594 07</u>	<u>19 521 63</u>
Fund Balances, March 31	<u>269 212 30</u>	<u>102 353 80</u>	<u>19 670 42</u>

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)  

---

2 671 38  
6 705 00  
45 796 80

3 369 58

20 223 04  
6 594 22  
12 905 18  
1 081 36  
115 924 57  
23 827 50

583 760 10

65 527 18

2 500 00  
(2 500 00)

-

65 527 18

325 709 34

391 236 52

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	80 787 26	82 470 87	1 683 61
Licenses and permits	-	7 875 00	7 875 00
State revenue sharing	227 250 00	205 987 00	(21 263 00)
State grant	73 890 00	82 100 00	8 210 00
Charges for services:			
Zoning fees	-	1 500 00	1 500 00
Fire and rescue runs	-	11 409 50	11 409 50
Property tax administration	23 500 00	29 513 30	6 013 30
Special assessment	-	-	-
Interest	127 44	4 513 86	4 386 42
Miscellaneous	<u>32 400 00</u>	<u>28 538 58</u>	<u>(3 861 42)</u>
Total revenues	<u>437 954 70</u>	<u>453 908 11</u>	<u>15 953 41</u>
Expenditures:			
Legislative:			
Township Board	5 660 00	4 131 84	(1 528 16)
General government:			
Supervisor	15 746 37	14 875 81	(870 56)
Elections	2 500 00	403 95	(2 096 05)
Accounting	2 500 00	2 500 00	-
Assessor	26 905 12	25 828 56	(1 076 56)
Attorney	7 000 00	4 853 62	(2 146 38)
Clerk	18 385 00	17 919 44	(465 56)
Board of Review	1 800 00	1 480 11	(319 89)
Treasurer	25 785 00	21 373 81	(4 411 19)
Building and grounds	11 200 00	10 779 34	(420 66)
Office	23 734 00	23 734 00	-
Computers	2 000 00	1 833 43	(166 57)
General services administration	34 589 37	28 966 16	(5 623 21)
Public safety:			
Fire protection	52 048 17	50 044 17	(2 004 00)
Inspectors	-	-	-
Planning and zoning	8 800 00	5 380 16	(3 419 84)

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
60 000 00	57 194 77	(2 805 23)
-	-	-
-	-	-
-	-	-
-	-	-
142 646 40	137 864 16	(4 782 24)
90 00	171 45	81 45
-	-	-
<u>202 736 40</u>	<u>195 230 38</u>	<u>(7 506 02)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
57 000 00	55 173 85	(1 826 15)
-	-	-

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued):			
Public works:			
Highways and streets	75 000 00	72 153 21	(2 846 79)
Street lighting	3 600 00	3 230 01	(369 99)
Drains	2 700 00	2 671 38	(28 62)
Spring clean up	7 000 00	6 705 00	(295 00)
Sanitation	-	-	-
Culture and recreation:			
Parks and recreation	4 000 00	3 369 58	(630 42)
Other:			
Insurance	20 446 00	20 223 04	(222 96)
Deferred compensation	6 656 98	6 594 22	(62 76)
Retirement	20 000 00	12 905 18	(7 094 82)
Payroll taxes	1 975 35	1 081 36	(893 99)
Capital outlay	121 983 57	115 924 57	(6 059 00)
Debt service	<u>25 000 00</u>	<u>23 827 50</u>	<u>(1 172 50)</u>
Total expenditures	<u>527 014 93</u>	<u>482 789 45</u>	<u>(44 225 48)</u>
Excess (deficiency) of revenues over expenditures	<u>(89 060 23)</u>	<u>(28 881 34)</u>	<u>60 178 89</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(2 500 00)</u>	<u>(2 500 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2 500 00)</u>	<u>(2 500 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(91 560 23)	(31 381 34)	60 178 89
Fund balances, April 1	<u>223 362 82</u>	<u>300 593 64</u>	<u>77 230 82</u>
Fund Balances, March 31	<u>131 802 59</u>	<u>269 212 30</u>	<u>137 409 71</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
142 646 40	45 796 80	(96 849 60)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>199 646 40</u>	<u>100 970 65</u>	<u>(98 675 75)</u>
<u>3 090 00</u>	<u>94 259 73</u>	<u>91 16973</u>
-	2 500 00	2 500 00
-	-	-
<u>-</u>	<u>2 500 00</u>	<u>2 500 00</u>
3 090 00	96 759 73	93 669 73
-	5 594 07	5 594 07
<u>3 090 00</u>	<u>102 353 80</u>	<u>99 263 80</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Riley, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Riley. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for specific construction projects of the Township.

Fiduciary Funds

The Current Tax Collection and the Ordinance Fund are used to account for assets held as an agent for others.

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group accounts for the general long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.



TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .7606 mills and the taxable value was \$93,171,387.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>428 583 26</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	120 513 94
Uninsured and Uncollateralized	<u>313 630 88</u>
Total Deposits	<u>434 144 82</u>

The Township of Riley did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	174 260 65	90 196 37	-	264 457 02
Buildings	364 835 43	18 623 51	-	383 458 94
Equipment	<u>59 175 44</u>	<u>7 104 69</u>	-	<u>66 280 13</u>
Total	<u>598 271 52</u>	<u>115 924 57</u>	-	<u>714 196 09</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Bonds payable	395 000 00	-	5 000 00	390 000 00
Total	<u>395 000 00</u>	<u>-</u>	<u>5 000 00</u>	<u>390 000 00</u>

Note 5 – 2002 General Obligation Limited Tax Bonds Payable

On July 1, 2002, the Township of Riley issued bonds in the amount of \$400,000.00 for the purpose of paying part of the cost to acquire, renovate, furnish and equip a building and site to serve as new Township offices. The Township has pledged its limited tax full faith and credit for the prompt payment of the bonds. The bonds bear interest at rates that vary from 4.2% to 6.2% per annum, payable semi-annually. The principal balance outstanding as of March 31, 2003, is recorded in the General Long-Term Debt Group of Accounts and is as follows:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
4-1-2005	10 000 00	6.20%
4-1-2006	10 000 00	4.20%
4-1-2007	15 000 00	4.20%
4-1-2008	15 000 00	4.20%
4-1-2009	20 000 00	4.20%
4-1-2010	20 000 00	4.20%
4-1-2011	20 000 00	4.20%
4-1-2012	20 000 00	4.25%
4-1-2013	25 000 00	4.35%
4-1-2014	25 000 00	4.50%
4-1-2015	25 000 00	4.60%
4-1-2016	25 000 00	4.70%
4-1-2017	30 000 00	4.80%
4-1-2018	30 000 00	4.90%
4-1-2019	30 000 00	5.00%
4-1-2020	30 000 00	5.10%
4-1-2021	<u>40 000 00</u>	5.20%
Total	<u>\$390 000 00</u>	

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 6 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	675 32	Ordinance	675 32
General	<u>5 185 00</u>	Current Tax Collection	<u>5 185 00</u>
Total	<u>5 860 32</u>	Total	<u>5 860 32</u>

Note 7 – Deferred Compensation Plan

The Township of Riley offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. Nationwide Life Insurance Company is an agent of the Township of Riley for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Riley's financial statements. Each person elects the amount to be withheld from their pay. Withholdings range from 3.75% to 25% of gross wages. The Township contributes 3.75% of each person's gross wages. During the year ended March 31, 2004, the Township's contribution was \$6,594.22.

Note 8 – Retirement Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes seventeen percent of each participating employee's wages to the plan. During the year ended March 31, 2004, the Township's retirement contribution was \$12,905.18.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF RILEY  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Township Office			
Capital Project	<u>2 500 00</u>	General	<u>2 500 00</u>
Total	<u>2 500 00</u>	Total	<u>2 500 00</u>

Note 11 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$57,194.77 and building permit expenses of \$55,173.85.

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF RILEY  
St. Clair County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Wages	3 767 19
Supplies	288 60
Mileage	76 05
	<u>4 131 84</u>
Supervisor:	
Salary	14 566 37
Supplies	136 64
Mileage	172 80
	<u>14 875 81</u>
Elections:	
Supplies	403 95
	<u>403 95</u>
Accounting	
	<u>2 500 00</u>
Assessor:	
Wages	24 205 12
Supplies	254 30
Miscellaneous	1 369 14
	<u>25 828 56</u>
Attorney	
	<u>4 853 62</u>
Clerk:	
Salary	15 648 71
Deputy	381 48
Supplies	1 027 72
Mileage	861 53
	<u>17 919 44</u>
Board of Review:	
Wages	924 00
Supplies	556 11
	<u>1 480 11</u>
Treasurer:	
Salary	15 648 59
Salary – summer tax	2 350 97
Deputy	380 32
Supplies	1 730 33
Mileage	593 10
Miscellaneous	670 50
	<u>21 373 81</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Building and grounds:	
Wages	1 405 15
Miscellaneous	<u>9 374 19</u>
	10 779 34
Office:	
Wages	21 046 42
Supplies	<u>2 687 58</u>
	23 734 00
Computers:	
Miscellaneous	<u>1 833 43</u>
General services administration:	
Wages	7 518 91
Printing and publishing	4 232 37
Telephone	2 041 03
Dues and meetings	2 644 35
Education	5 675 43
Mileage	1 884 54
Miscellaneous	<u>4 969 53</u>
	28 966 16
Fire protection:	
Contracted services	<u>50 044 17</u>
Planning and zoning:	
Wages – Planning Commission	2 844 48
Wages – Zoning Board of Appeals	1 160 00
Miscellaneous	<u>1 375 68</u>
	5 380 16
Highways and streets	<u>72 153 21</u>
Street lighting	<u>3 230 01</u>
Drains	<u>2 671 38</u>
Spring clean up	<u>6 705 00</u>
Parks and recreation:	
Miscellaneous	<u>3 369 58</u>
Insurance	<u>20 223 04</u>



TOWNSHIP OF RILEY  
St. Clair County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 3

Deferred compensation	<u>6 594 22</u>
Retirement	<u>12 905 18</u>
Payroll taxes	<u>1 081 36</u>
Capital outlay	<u>115 924 57</u>
Debt service	<u>23 827 50</u>
Total Expenditures	<u>482 789 45</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS    EXHIBIT E  
March 31, 2004

	<u>Building Permit</u>	<u>Waste Disposal</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	7 697 08	95 209 44	102 906 52
Taxes receivable	<u>-</u>	<u>10 896 48</u>	<u>10 896 48</u>
Total Assets	<u>7 697 08</u>	<u>106 105 92</u>	<u>113 803 00</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>11 449 20</u>	<u>11 449 20</u>
Fund balances:			
Unreserved:			
Undesignated	<u>7 697 08</u>	<u>94 656 72</u>	<u>102 353 80</u>
Total Liabilities and Fund Balances	<u>7 697 08</u>	<u>106 105 92</u>	<u>113 803 00</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F  
Year Ended March 31, 2004

	<u>Building Permit</u>	<u>Waste Disposal</u>	<u>Total</u>
Revenues:			
Licenses and permits	57 194 77	-	57 194 77
Special assessments	-	137 864 16	137 864 16
Interest	82 09	89 36	171 45
Total revenues	<u>57 276 86</u>	<u>137 953 52</u>	<u>195 230 38</u>
Expenditures:			
Public safety:			
Inspectors	55 173 85	-	55 173 85
Public works:			
Sanitation	-	45 796 80	45 796 80
Total expenditures	<u>55 173 85</u>	<u>45 796 80</u>	<u>100 970 65</u>
Excess (deficiency) of revenues over expenditures	<u>2 103 01</u>	<u>92 156 72</u>	<u>94 259 73</u>
Other financing sources (uses):			
Operating transfers in	-	2 500 00	2 500 00
Total other financing sources (uses)	<u>-</u>	<u>2 500 00</u>	<u>2 500 00</u>
Excess of revenues and other sources over expenditures and other uses	2 103 01	94 656 72	96 759 73
Fund balances, April 1	<u>5 594 07</u>	-	<u>5 594 07</u>
Fund Balances, March 31	<u><u>7 697 08</u></u>	<u><u>94 656 72</u></u>	<u><u>102 353 80</u></u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES – ALL AGENCY FUNDS  
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	4 596 27	2 452 958 62	2 447 762 21	9 792 68
Total Assets	<u>4 596 27</u>	<u>2 452 958 62</u>	<u>2 447 762 21</u>	<u>9 792 68</u>
<u>Liabilities</u>				
Due to other funds	4 596 27	217 777 39	217 188 66	5 185 00
Due to others	-	2 235 181 23	2 230 573 55	4 607 68
Total Liabilities	<u>4 596 27</u>	<u>2 452 958 62</u>	<u>2 447 762 21</u>	<u>9 792 68</u>
<u>ORDINANCE FUND</u>				
<u>Assets</u>				
Cash in bank	41 801 35	45 115 12	39 326 50	47 589 97
Total Assets	<u>41 801 35</u>	<u>45 115 12</u>	<u>39 326 50</u>	<u>47 589 97</u>
<u>Liabilities</u>				
Due to other funds	60 20	615 12	-	675 32
Due to others	41 741 15	44 500 00	39 326 50	46 914 65
Total Liabilities	<u>41 801 35</u>	<u>45 115 12</u>	<u>39 326 50</u>	<u>47 589 97</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	46 397 62	2 498 073 74	2 487 088 71	57 382 65
Total Assets	<u>46 397 62</u>	<u>2 498 073 74</u>	<u>2 487 088 71</u>	<u>57 382 65</u>
<u>Liabilities</u>				
Due to other funds	4 656 47	218 392 51	217 188 66	5 860 32
Due to others	41 741 15	2 279 681 23	2 269 900 05	51 522 33
Total Liabilities	<u>46 397 62</u>	<u>2 498 073 74</u>	<u>2 487 088 71</u>	<u>57 382 65</u>

TOWNSHIP OF RILEY  
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT  
OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended March 31, 2004

EXHIBIT H

Cash in bank – beginning of year	<u>4 596 27</u>
Cash receipts:	
Property tax	2 414 588 99
Property tax administration fees	36 369 93
Interest	<u>1 999 70</u>
Total cash receipts	<u>2 452 958 62</u>
Total beginning balance and cash receipts	<u>2 457 554 89</u>
Cash disbursements:	
Armada Area Schools	103 897 84
Capac Public Schools	180 559 80
Macomb ISD	36 369 93
Memphis Community Schools	413 680 74
Yale Area Schools	9 046 41
St. Clair County	1 474 830 22
Township General Fund	90 220 98
Waste Disposal Fund	126 967 68
Refunds	<u>12 188 61</u>
Total cash disbursements	<u>2 447 762 21</u>
Cash in Bank – End of Year	<u>9 792 68</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

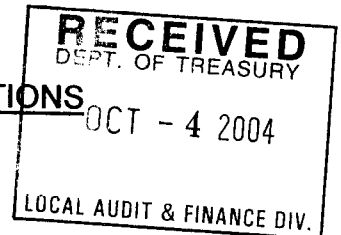
CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**



August 11, 2004

To the Township Board  
Township of Riley  
St. Clair County, Michigan

We have audited the financial statements of the Township of Riley, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Riley in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Riley  
St. Clair County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Riley  
St. Clair County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Riley will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants